

10-2002

Revenue and Taxation Legislative Summary 2002

Assembly Committee on Revenue and Taxation

Follow this and additional works at: http://digitalcommons.law.ggu.edu/caldocs_assembly



Part of the [Legislation Commons](#)

Recommended Citation

Assembly Committee on Revenue and Taxation, "Revenue and Taxation Legislative Summary 2002" (2002). *California Assembly*. Paper 57.
http://digitalcommons.law.ggu.edu/caldocs_assembly/57

This Committee Report is brought to you for free and open access by the California Documents at GGU Law Digital Commons. It has been accepted for inclusion in California Assembly by an authorized administrator of GGU Law Digital Commons. For more information, please contact jfischer@ggu.edu.

Assembly Committee on Revenue and Taxation

California State Legislature

Revenue and Taxation Legislative Summary 2002



STATE DEPOSITORY
LAW LIBRARY

NOV 02 2004

GOLDEN GATE UNIVERSITY

Honorable Ed Chavez, Chair
Honorable Mark Wyland, Vice-Chair

October 2002

NON-CIRCULATING

KFC
10.8
R38
2002

**ASSEMBLY COMMITTEE
ON
REVENUE & TAXATION**

***2002
LEGISLATIVE SUMMARY***

Honorable Ed Chavez, Chair
Honorable Mark Wyland, Vice-Chair

**ASSEMBLY COMMITTEE
ON
REVENUE & TAXATION**

***2002
LEGISLATIVE SUMMARY***

**STATE DEPOSITORY
LAW LIBRARY**

NOV 02 2004

MEMBERS

GOLDEN GATE UNIVERSITY

Honorable Ed Chavez, Chair
Honorable Mark Wyland, Vice Chair
Honorable Elaine Alquist
Honorable Dion Aroner
Honorable Gil Cedillo
Honorable Tom Harman
Honorable Joe Simitian

STAFF

Kimberly Bott, Chief Consultant
Eileen Roush, Principal Consultant

Christine Hiersche, Committee Secretary

MEMBERS

MARK WYLAND VICE-CHAIR
ELAINE ALQUIST
DION ARONER
GIL CEDILLO
TOM HARMAN
JOE SIMITIAN

Assembly California Legislature

**STAFF**

KIMBERLY MITCHELL BOTT
Chief Consultant
EILEEN A ROUSH
Principal Consultant
CHRISTINE HIERSCHE
Committee Secretary

STATE CAPITOL
P.O. BOX 942849
SACRAMENTO, CA 94249-0114
(916) 319-2098

Assembly Committee on Revenue and Taxation ED CHAVEZ, CHAIR

2002

LEGISLATIVE SUMMARY

The following is a list of bills adopted by the Legislature during the second year of the 2001-2002 Legislative Session which changed state law in the area of revenue and taxation. The measures are listed in bill number order, with 2002 chapter numbers provided, and the provisions of each bill briefly summarized.

The list also includes bills adopted by the Legislature and vetoed by the Governor.

The Assembly Revenue and Taxation Committee heard the majority of the bills in this report.

Copies of analyses of bills heard by the Assembly Revenue and Taxation Committee can be obtained by accessing the California State Assembly's web page at www.assembly.ca.gov, by contacting the Committee office at (916) 319-2098 or by writing to the Assembly Revenue and Taxation Committee, Legislative Office Building, 1020 N Street - Room 162, Sacramento, CA 95814.

This publication is intended to be a useful summary of the Legislature's work in the area of revenue and taxation during 2002 and a helpful reference document for any who need to know about state and local taxation law and policy. Copies of this summary may be obtained under "Publications" on the committee's web page at www.assembly.ca.gov.

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION

2002 LEGISLATIVE SUMMARY

TABLE OF CONTENTS

	<u>Page No.</u>
Regular Session	
Bills Signed by Governor	
Assembly Bills	1 - 4
Senate Bills	5 - 9
Budget Bills Signed by Governor	9 - 11
Bills Vetoed by Governor	11
Appendix I Index by Subject Matter	i - iv
Appendix II Index by Author	v - vii

ASSEMBLY REVENUE AND TAXATION COMMITTEE

2002 LEGISLATIVE SUMMARY

AB 7 (Thomson), Chapter 330, Statutes of 2002. TRANSACTIONS AND USE TAX: CITY OF DAVIS: Authorizes the City of Davis, subject to voter approval, to levy a $\frac{1}{4}\%$ or $\frac{1}{2}\%$ transactions and use tax, which amount is to be expended as determined by the ordinance proposing the tax and establishing how the revenues generated by the tax will be used.

AB 81 (Migden), Chapter 57, Statutes of 2002. PROPERTY TAXATION: STATE-ASSESSED PROPERTY: Effective January 1, 2003, shifts responsibility for assessing electric generation facilities with a generating capacity of 50 megawatts or more from local assessors to the California Board of Equalization. Allocates property tax revenue collected from these facilities as though the facilities had been locally-assessed.

AB 131 (Corbett), Chapter 30, Statutes of 2002. PERSONAL INCOME AND BANK AND CORPORATION TAX LAWS: FEDERAL CONFORMITY: Conforms to part of federal legislation, known as the Economic, Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), that extends to public sector employees the same ability to roll over certain deferred compensation plans into IRAs and to purchase service credits with amounts contained in certain deferred compensation plans or annuity accounts. Contains a provision that permits persons that retired after the effective date of the federal legislation but before the enactment of this bill to elect treatment consistent with this bill.

AB 902 (Strom-Martin), Chapter 331, Statutes of 2002. TRANSACTIONS AND USE TAX: QUALIFIED CITIES: Authorizes the cities of Clearlake, Fort Bragg, Point Arena, Ukiah, and/or Willits to impose a transactions and use tax at a rate of 0.25%, or a multiple thereof, not to exceed 1.0%, for transportation purposes. Requires the tax to be approved by at least 2/3rds of qualified voters in the applicable city who vote on the issue.

AB 957 (Papan), Chapter 135, Statutes of 2002. TAXPAYER CONTRIBUTIONS: LUPUS FOUNDATION OF AMERICA, CALIFORNIA CHAPTERS FUND: Clarifies that money contributed by taxpayers using the Lupus Foundation of America Checkoff will be used by the California-based operating chapters of the Lupus Foundation of America for education and awareness and to provide research grants to develop and advance the understanding, causes, techniques, and modalities effective in the prevention, care, treatment, and cure of lupus.

AB 1122 (Corbett), Chapter 35, Statutes of 2002. TAXATION: FEDERAL CONFORMITY: General federal conformity package that fully adopts the pension and retirement amendments and the education savings accounts provisions of the Economic, Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA). Adopts a "date change" for California tax law that reflects the Internal Revenue Code as of January 1, 2001.

Requires federal S corporations to be treated as S corporations for California tax purposes and conforms to federal legislation closing a tax loophole that permitted S corporation shareholders to deduct tax losses without incurring economic loss. Conforms to specific federal provisions not previously adopted including: Increasing the tax advantages of donating certain appreciated stock to private foundations and donating any appreciated property to charitable organizations; increasing collection of personal income tax; and, denying business deductions for (1) executive compensation paid in excess of \$1 million, (2) dues for club membership, and (3) lobbying expenses. This bill is identical to SB 657 (Scott), Chapter 34, Statutes of 2002.

AB 1458 (Kelley), Chapter 152, Statutes of 2002. STATE BOARD OF EQUALIZATION: BUSINESS AND SPECIAL TAXES: Amends the Fee Collection Procedures Law to allow the California Board of Equalization (BOE) to abate interest in cases where the Board finds that a person's failure to make a timely return or payment is due to a disaster. Effective January 1, 2003, provides BOE with administrative authority to compromise tax debts under the Sales and Use Tax, Use Fuel Tax, and Underground Storage Tank Maintenance Fee Laws. The Board's Executive Director and Chief Counsel or their delegates, working jointly, would be authorized to approve offers in compromise that reduce tax by \$7,500 or less. The full Board would be required to approve offers in compromise that reduce tax by \$7,500 or more. However, the Board could delegate its authority to the Executive Director and Chief Counsel for offers in compromise that are between \$7,500 and \$25,000.

AB 1936 (Horton), Chapter 459, Statutes of 2002. TAXATION: STATE BOARD OF EQUALIZATION: RETURNS: Provides for the use of electronic media in filing returns for the Special Taxes Programs administered by the State Board of Equalization (BOE). Specifically includes returns filed under the following: Motor vehicle fuel tax; use fuel tax; cigarette and tobacco products tax; alcoholic beverage tax; energy resources surcharge; emergency telephone users surcharge; hazardous substances tax; integrated waste management fee; oil spill response, prevention and administration fees; underground storage tank maintenance fee; fee collection procedures; and, diesel fuel tax.

AB 1968 (Nation), Chapter 843 Statutes of 2002. INCOME TAXES: EXCLUSIONS : ENERGY CONSERVATION REBATES: Excludes from gross income financial incentives of rebates or vouchers issued by the California Energy Commission, the California Public Utilities Commission or a local public utility and related to purchase or installation of specific devices serving at least part of the taxpayer's electrical or thermal load.

AB 2036 (Liu), Chapter 647, Statutes of 2002. TAXPAYER CONTRIBUTIONS: STATE CHILDREN'S TRUST FUND: Extends the sunset date on the State Children's Trust Fund income tax checkoff by six years, to January 1, 2008, provided the checkoff continues to meet minimum annual contribution requirements. Money raised through the income tax checkoff will continue to be used as it had been in the past, to fund child abuse and neglect prevention and intervention programs.

AB 2061 (Salinas), Chapter 338, Statutes of 2002. TRANSACTIONS AND USE TAX: CITY OF SALINAS: Authorizes the City of Salinas, subject to approval by a 2/3 vote of the qualified voters of the city voting in an election on the issue, to levy a ¼% transactions and use tax for the purpose of improving certain capital facilities in that city.

AB 2127 (Matthews), Chapter 620, Statutes of 2002. TAXPAYER CONTRIBUTIONS: ASTHMA AND LUNG DISEASE RESEARCH FUND: Reinstates a personal income tax checkoff to fund asthma and lung disease research. The new checkoff, which will first appear on the 2002 tax form due in April 2003, will be required to raise at least \$250,000 in its second year on the form in order to appear for a third year.

AB 2205 (Koretz), Chapter 687, Statutes of 2002. TOBACCO PRODUCTS: PREVENTION OF SALES OF UNTAXED CIGARETTES: MULTIAGENCY TASK FORCE: Increases the penalty for distributing black market cigarettes and allocates money raised from the increased penalty to the Office of Criminal Justice Planning (OCJP). Directs OCJP to use this money to administer a grant program intended to enable cities to crack down on sales of black market cigarettes. The penalty would be in effect from January 1, 2003 through December 31, 2005.

AB 2388 (La Suer), Chapter 776, Statutes of 2002. FRANCHISE TAX BOARD: DEBT COLLECTION PROGRAM: Extends the sunset date of the Franchise Tax Board (FTB) court-ordered debt collection program by three years, from January 1, 2003 to January 1, 2006. FTB's court-ordered debt collections program was established in 1994 and has been broadened in the years since its establishment. The initial implementing legislation allowed FTB to limit participation to nine volunteer counties. Today, FTB collects court-ordered debt on behalf of 22 counties and the California Victim Compensation and Government Claims Board.

AB 2461 (Keeley), Chapter 566, Statutes of 2002. TAXATION: VEHICLE LICENSE FEE: LOW-EMISSION VEHICLES: Extends the sunset date of the existing vehicle license fee (VLF) exemption on the incremental cost of alternatively-fueled vehicles from January 1, 2003 to January 1, 2009. The existing exemption, which would be unchanged under the provisions of this bill, applies to the amount by which the cost of a new light-duty motor vehicle propelled by alternative fuel exceeds the cost of a comparable vehicle fueled by either gasoline or diesel fuel.

AB 2670 (Wyman), Chapter 690, Statutes of 2002. INCOME TAXES: VICTIMS OF TERRORISM: Conforms state law to several provisions of the federal Victims of Terrorism Tax Relief Act of 2001. Under the provisions of this bill, individuals who die as a result of wounds or illness incurred in the Oklahoma City, September 11 terrorist attacks, or as a result of an anthrax attack between September 11, 2001 and January 1, 2002, are exempt from tax beginning in the tax year before the injury is sustained and ending in the tax year in which death occurs. Several types of compensation offered to victims of any of the aforementioned attacks and to their families are excluded from gross income, including death benefits paid by employers of victims to victims' families, discharges of indebtedness made upon the death of victims, and payments made by

charitable organizations to injured victims or families of deceased victims. The restriction that injuries be sustained outside the United States (U.S.) in order for a U.S. military or civilian employee who dies as a result of a terrorist or military attack to receive favorable tax treatment is removed. Both individuals and corporations who are victims of attacks occurring on or after September 11, 2001 are allowed more time in which to file tax returns, pay taxes, and file claims for credit or refund.

AB 2701 (Wyman), Chapter 593, Statutes of 2002. SALES AND USE TAXES: EXCLUSIONS: INDIAN TAXES: Excludes from this measure for sales and use tax on the sale of tangible personal property, tax imposed by an Indian tribe that is measured by a stated percentage of the sales or purchase price.

AB 2714 (Aanestad), Chapter 299, Statutes of 2002. PROPERTY TAXATION: VALUATION: Provides specific rules for and applies specific prohibitions to county assessors who utilize the reproduction or replacement cost approach to determine the value of tangible personal property or trade fixtures. Requires assessors who use minimum percent good factors to determine property values in a supportable manner. Allows county assessors to average published percent good factors if information provided by a taxpayer does not indicate whether the property whose valuation is in question was first acquired new or used by the taxpayer.

AB 2758 (Briggs), Chapter 346, Statutes of 2002. TRANSACTIONS AND USE TAXES: CITY OF VISALIA: Authorizes the City of Visalia, subject to approval by a 2/3 vote of the qualified voters of the city voting in an election on the issue, to levy a ¼% transactions and use tax to be expended solely in providing public safety and law enforcement services in that city.

AB 2791 (Migden), Chapter 169, Statutes of 2002. INCOME TAXES: LIMITED LIABILITY COMPANIES: LIMITED LIABILITY PARTNERSHIPS: Requires the Franchise Tax Board and Secretary of State to notify limited partnerships, limited liability partnerships, and limited liability companies that they owe annual tax to California and that this liability continues until the entity files a certificate of cancellation with the Secretary of State.

AB 2963 (Aroner), Chapter 757, Statutes of 2002. INCOME TAXES: DEPENDENT CARE: Provides that the custodial parent in a couple that never married and that no longer live together qualifies for the child and dependent care credit.

AB 2979 (Committee on Revenue and Taxation), Chapter 374, Statutes of 2002. FRANCHISE TAX BOARD: ADMINISTRATION OF TAXES: Makes technical, clarifying corrections to various provisions of the Revenue and Taxation Law administered by the Franchise Tax Board (FTB). This bill provides the following technical corrections and clarifications: (1) Clarify the mechanics for computing the credit for taxes paid to other states; (2) Enhance a taxpayer's ability to revise joint and several liability for taxes as part of a divorce proceeding; (3) Clarify taxpayers' rights to challenge FTB's denial of Child and Dependent Care credits; (4) Correct Government

Code cross-references to the Revenue and Taxation Code relating to state tax liens; (5) Correct cross-references and revised filing dates for the Homeowners and Renters Assistance program administered by Franchise Tax Board; and, (6) Revise administrative rules regarding contested penalties to require full payment of the penalty imposed for filing frivolous returns before allowing taxpayers to bring suit to contest its imposition and allow FTB to file a counterclaim in any lawsuit challenging imposition of a penalty.

* * * *

SB 219 (Scott), Chapter 807, Statutes of 2002. INCOME TAXES: FEDERAL CONFORMITY: VICTIMS OF TERRORISM: Conforms state law to federal law that provides beneficial tax treatment to victims of terrorism (Victims of Terrorism Tax Relief Act of 2001, Public Law 107-134). Examples of some of the many types of tax relief provided under this bill include the following: Individuals who die as a result of wounds or illness incurred in the Oklahoma City or World Trade Center attacks or as a result of an anthrax attack that occurred between September 11, 2001 and January 1, 2002 are exempt from tax beginning in the tax year before the injury is sustained and ending in the tax year in which death occurs. Several types of compensation offered to victims of any of the aforementioned attacks and to their families are excluded from gross income, including death benefits paid by employers of victims to victims' families, discharges of indebtedness made upon the death of victims, and payments made by charitable organizations to injured victims or families of deceased victims. The restriction that injuries be sustained outside the United States (U.S.) in order for a U.S. military or civilian employee who dies as a result of a terrorist or military attack to receive favorable tax treatment is removed. Both individuals and corporations who are victims of attacks occurring on or after September 11, 2001 are allowed more time in which to file tax returns, pay taxes, and file claims for credit or refund.

Conforms to federal law by allowing the Franchise Tax Board (FTB) to waive the statute of limitations for refund claims submitted by individuals who qualify as financially disabled. Conforms California's income exclusion for employer-provided adoption assistance to recent federal changes that increased the amounts which can be excluded and increased the income caps on eligibility for the exclusion. Makes California's income exclusion permanent. Makes technical changes to federal conformity legislation enacted earlier this year [AB 1122 (Corbett), Chapter 35, Statutes of 2002]. These cleanup amendments are intended to correct, clarify, and renumber sections of the Revenue and Taxation Code, remove language rendered obsolete by AB 1122, and add an inadvertently omitted section conforming California's income exclusion for qualified higher education scholarships to an expansion of the federal provision. Provides that S Corporations may file a group return reporting the income of a single non-resident 100% shareholder. Allows FTB to adjust the income of any non-resident taxpayer who elects to file a group return if FTB has reason to believe that the income attributable to that taxpayer on the group return does not properly reflect that individual's California taxable income.

SB 657 (Scott), Chapter 34, Statutes of 2002. INCOME AND BANK AND CORPORATION TAXES: FEDERAL CONFORMITY: General federal conformity package that fully adopts the pension and retirement amendments and the education savings accounts provisions of the Economic, Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA). Adopts a "date change" for California tax law that reflects the Internal Revenue Code as of January 1, 2001. Requires federal S corporations to be treated as S corporations for California tax purposes and conforms to federal legislation closing a tax loophole that permitted S corporation shareholders to deduct tax losses without incurring economic loss. Conforms to specific federal provisions not previously adopted including: Increasing the tax advantages of donating certain appreciated stock to private foundations and donating any appreciated property to charitable organizations; increasing collection of personal income tax; and, denying business deductions for (1) executive compensation paid in excess of \$1 million, (2) dues for club membership, and (3) lobbying expenses. This bill is identical to AB 1122 (Corbett), Chapter 35, Statutes of 2002.

SB 1365 (Speier), Chapter 484, Statutes of 2002. PERSONAL INCOME TAXES: CONTRIBUTIONS: CALIFORNIA BREAST CANCER RESEARCH FUND: Extends the sunset date on the California Breast Cancer Research Fund income tax checkoff by five years, to January 1, 2008, and authorizes the University of California to use up to 5% of the funds raised through the checkoff to administer and promote the Breast Cancer Research Program.

SB 1445 (Alpert), Chapter 258, Statutes of 2002. INCOME AND CORPORATION TAXES: SETTLEMENTS. Increases the amount of a tax liability settlement that may be accepted by the executive officer and chief counsel of the Franchise Tax Board and expands the scope of the settlement agreements. Increases the existing limit of \$7,500 per taxable year.

SB 1494 (Ackerman), Chapter 206, Statutes of 2002. PROPERTY TAX: LIENS: Adds penalties and interest that accrue on unpaid property taxes to the list of items that represent liens on real property.

SB 1660 (Scott), Chapter 487, Statutes of 2002. INCOME TAXES AND BANK AND CORPORATIONS TAXES: Enacts four Franchise Tax Board (FTB) technical proposals intended to ease tax law administration. Repeals obsolete transition rules relating to original issue discounts involving zero-coupon bonds. Removes the January 1, 2003 sunset date on the court-ordered debt collection program administered by FTB. Corrects an erroneous subdivision reference in the Joint Strike Fighter tax credit. Adds an inadvertently omitted definition for "wind energy system" to the solar and wind energy system tax credit.

SB 1701 (Peace), Chapter 881, Statutes of 2002. TOBACCO TAXES: TAX STAMPS: Operative January 1, 2005, requires that tax stamps or meter impressions affixed to cigarettes are able to be read by a scanning or similar device. Requires

encryption of the following information on the tax stamps or meter impressions: (1) name and address of the distributor affixing the stamp or meter impression; (2) date of affixing the stamp or meter impression; and (3) value of stamp or meter impression.

SB 1724 (Speier), Chapter 824, Statutes of 2002. INCOME TAXES: DEPENDENT CARE: Effective January 1, 2003, conforms California's child and dependent care credit to increases in the value of expenses that qualify for the federal child and dependent care credit and to increases in the income caps applied to the federal credit. Reduces the percentages used to calculate the value of California's credit, as follows:

Federal adjusted gross income (AGI) of \$40,000 or less: credit percentage reduced from 63% to 50%. Federal AGI between \$40,001 and \$70,000: credit percentage reduced from 53% to 43%. Federal AGI between \$70,001 and \$100,000: credit percentage reduced from 42% to 34%.

SB 1875 (Karnette), Chapter 399, Statutes of 2002. SENIOR CITIZENS PROPERTY TAX ASSISTANCE: Streamlines the filing requirements for applicants who request assistance under the Senior Citizens Homeowners and Renters Property Tax Assistance (HRA) Program. Eliminates the current law requirements that: Homeowners attach their property tax bills to their claims; renters attach a statement describing their rented property, the names and addresses of their landlords, and the amounts of rent paid on both monthly and annual bases; and, that all claimants provide documentation regarding their household incomes during the claim period.

SB 1889 (Johannessen), Chapter 119, Statutes of 2002. TRANSACTION AND USE TAX: REDDING: Authorizes the City of Redding, subject to approval by a majority of the qualified voters of the city voting in an election on the issue, to levy a $\frac{1}{4}\%$ transactions and use tax, the revenues of which will be used for general governmental purposes.

SB 1901 (Machado), Chapter 446, Statutes of 2002. SALES AND USE TAX: RESALE CERTIFICATES: Allows qualified persons to issue a certificate to avoid prepayment of a portion of the sales tax on diesel fuel. Defines qualified persons as sellers that: (1) sell more than 25% of their total sales of diesel fuel for exempt agricultural use; and, (2) make bulk deliveries (transfers of fuel into storage tanks of at least 50 gallons) or sell through use of an unattended system.

SB 1977 (Johannessen), Chapter 1108, Statutes of 2002. BANK AND CORPORATION TAXES: REORGANIZATION: Exempts from corporate tax specific transfers of assets by mutual water companies formed before September 26, 1977, that are tax-exempt for federal tax purposes, to a local community services district (CSD). Requires that the mutual water company transfer substantially all of its assets and that the sole consideration for the transfer is the CSD's assumption of the obligation to provide service to the shareholders of the mutual water company.

SB 2051 (Bowen), Chapter 694, Statutes of 2002. BANK AND CORPORATION TAXES: INFORMATION PRIVACY: States the intent of the Legislature that the Franchise Tax Board (FTB) continue to implement Revenue and Taxation Code Section 19551.1, provided that the requirements of Revenue and Taxation Code Section 19551.1(c) have been met. Revenue and Taxation Code Section 19551.1 authorizes FTB to share specified tax information with cities. Revenue and Taxation Code Section 19551.1(c) conditions FTB's authorization to share this information on full reimbursement by a requesting city of FTB's costs to capture, track, and share the information. Provides that provisions of the Information Practices Act shall not apply to the determination of the existence or the amount of a tax liability.

SB 2085 (Committee on Revenue & Taxation), Chapter 269, Statutes of 2002. PROPERTY TAXATION: Enacts two technical changes intended to improve administration of property tax collection statutes. Eliminates the prohibition against imposing delinquent penalties if taxes are late on property transferred from the secured to the unsecured roll as a result of having been acquired by a public agency from a private party. Removes the requirement that a non-profit agency which acquires tax-defaulted property with the intention of providing low- and moderate-income housing obtain a certification of consistency with a consolidated plan approved by the Department of Housing and Community Development.

SB 2086 (Committee on Revenue & Taxation), Chapter 214, Statutes of 2002. PROPERTY TAXATION: ADMINISTRATION: Enacts several proposals by county assessors and intended to streamline property tax administration. Standardizes the due dates for simplified annual welfare exemption and religious exemption filing at February 15th. Provides a uniform, 90-day time period for exempt organizations to file for a cancellation, refund, or proration of taxes on properties on the secured roll that they acquire after the January 1 lien date. Allows the board of supervisors of any county to enact an ordinance requiring any party that files a digital subdivision map with the county recorder to file a duplicate digital copy of that map with the county assessor. Requires county assessors to retain taxpayers' initial applications for the welfare exemption, religious exemption, and/or disabled veterans' exemption until at least six years after the lien date of the tax year for which the exemption is last granted or three years after that lien date if the documents have been microfilmed, microfiched, imaged, or otherwise preserved on a medium that provides access to the documents.

SB 2092 (Committee on Revenue and Taxation), Chapter 775, Statutes of 2002. TAXATION: PROPERTY TAXATION: LOCAL SALES AND USE TAXES: Enacts several Board of Equalization (BOE; the Board)-sponsored provisions intended to correct, clarify, streamline, and simplify existing property tax and local sales and use tax collection statutes. Updates existing law by substituting the term "manufactured home" for "mobilehome" in numerous sections of the Property Tax Law, corrects cross-referencing errors in statutes relating to mobilehome parks, and makes numerous technical and housekeeping changes in sections of law relating to manufactured homes. Clarifies recent law changes regarding the length of time taxpayers have in which to file assessment appeals by deleting incorrect code references, clarifying appeals deadlines,

requiring each county assessor to notify the clerk and tax collector of his or her county by April 1 if he or she will be sending valuation notices to taxpayers by August 1, requiring county clerks to notify BOE of their county's valuation notification procedures and assessment appeals deadlines, requiring BOE to maintain a statewide list of all county's filing deadlines, and clarifying that the publication of values in newspapers does not suffice as notice of valuation to taxpayers. Increases the value limitation on supplemental assessments that can be cancelled by a county assessor from \$20 to \$50. Provides additional administrative provisions for the Indian Tribal Owned Low-Income Housing property tax exemption by requiring an annual claim to be filed, providing a partial exemption for claims filed late, providing the exemption to property acquired after the lien date, and conforming the definition of lower-income households for purposes of the exemption to the definition used by the federal Native American Housing and Self Development Act. Cleans up recent changes to the disabled veterans' exemption by correcting cross-references, giving disabled veterans additional time to file a claim when a United States Department of Veterans Affairs disability rating is received close to the lien date, increasing the portability of the disabled veterans' exemption by extending the exemption to property owned but not lived in on the lien date, and providing that an escape assessment must be issued on a property if an exemption terminates in mid-year. Allows taxpayers to file their business personal property statements electronically.

Allows taxpayers who are over the age of 55 or disabled and whose homes are destroyed due to a non-governmentally-declared disaster or calamity to transfer the base year value of the destroyed home (prior to rather than after its destruction) to a replacement home of equal or lesser value that is located in the same county, or to a replacement home of equal or lesser value that is located in a different county if an ordinance authorizing that transfer has been approved by the county in which the new home is located. This bill's provisions are prospective and preclude the issuance of refunds for prior tax years. However, depending upon his or her specific circumstances, a taxpayer whose replacement home was purchased as early as November, 1986, could take advantage of the provisions of this bill. Taxpayers wishing to file a claim for downward readjustment of the assessed value of a replacement home purchased before passage of this bill have four years from this bill's passage in which to file the claim.

SJR 29 (Murray), Chapter 80, Statutes of 2002. TAXATION OF FILM AND TELEVISION PRODUCTIONS: Requests the President and Congress to enact the Independent Film and Television Production Incentive Act of 2001.

BUDGET BILLS SIGNED BY THE GOVERNOR

AB 1768 (Oropeza), Chapter 1127, Statutes of 2002. STATE AND LOCAL GOVERNMENT: (Bank and Corporation Taxes): Changes the interest rate on overpayments of corporate tax to the lesser of 5% or the bond equivalent rate of 13-week United States Treasury bills. Sets the bond equivalent rate of 13-week United States

Treasury bills for six-month periods as follows: For the period July 1 through December 31, the bond equivalent rate of 13-week United States Treasury bills established at the first auction held during the preceding January; for the period January 1 through June 30, the bond equivalent rate of 13-week United States Treasury bills established at the first auction held during the preceding July.

AB 2065 (Oropeza), Chapter 488, Statutes of 2002. SALES AND USE TAXES: INCOME AND BANK AND CORPORATION TAXES: Authorizes the Board of Equalization to forgive interest and penalties on unpaid sales and use tax liabilities deemed to be high-risk collection accounts. Authorizes the Franchise Tax Board to forgive interest and penalties on unpaid personal income tax liabilities deemed to be high-risk collection accounts.

Suspends the credentialed teacher personal income tax credit for tax year 2002. Suspends the deduction for net operating losses (NOL) for taxable years 2002 and 2003; increases the loss computation to 100% for NOLs created during 2004 and thereafter; and extends the carryover period to restore the years lost because of the suspension.

Increases withholding tax on stock options and bonus payments to 9.3% from 6%. Requires withholding of tax equal to 3-1/3% of the sales price on dispositions of California real property interests, with specific statutory exemptions. Among the statutory exemptions are (1) sales price up to, but not exceeding, \$100,000; (2) sales of principal residences; (3) transfers of property pursuant to foreclosure proceedings or deeds in lieu of foreclosure; (4) transfers that qualify as tax-deferred exchanges or transfers following an involuntary conversion; and (5) sales that will result in a loss for California tax purposes.

Conforms to federal tax law that generally denies a deduction for additions to bad debt reserves for banks and financial institutions. Provides that existing reserves shall be restored to income over two years.

Waives underpayment penalties for tax year 2002 arising from laws enacted or amended during 2002.

AB 3000 (Committee on Budget), Chapter 1124, Statutes of 2002. STATE AND LOCAL GOVERNMENT: (Corporation Taxes: Cigarette Tax Administration): Changes the interest rate on overpayments of corporate tax to the lesser of 5% or the bond equivalent rate of 13-week United States Treasury bills. Sets the bond equivalent rate of 13-week United States Treasury bills for six-month periods as follows: for the period July 1 through December 31, the bond equivalent rate of 13-week United States Treasury bills established at the first auction held during the preceding January; for the period January 1 through June 30, the bond equivalent rate of 13-week United States Treasury bills established at the first auction held during the preceding July.

Adds a definition for "stamps and meter impressions" for purposes of the Cigarette and Tobacco Products Tax and allows the Board of Equalization to prescribe and approve the types of stamps and meter impressions for purposes of affixing proof of tax payment.

AB 3009 (Committee on Budget), Chapter 1033, Statutes of 2002. PERSONAL INCOME AND CORPORATION TAXES: CREDITS: ENERGY SURCHARGE: Suspends the tax credits allowed for contributions made pursuant to the Natural Preservation Tax Credit Act of 2000 in the 2002-2003 fiscal year. Another provision of the bill authorizes the Energy Commission to establish the rate of the electrical energy consumption surcharge annually

HR 96 (Wesson), Adopted August 31, 2002. SPEAKER'S COMMISSION ON STRUCTURAL CHALLENGES TO BUDGETING IN CALIFORNIA: Creates a commission of 12 members of the Assembly to identify issues that contribute to difficulties in enacting a state budget. Charges the commission to review the stability and volatility of revenues to the California General Fund, expenditures from the California General Fund, and possible changes to California law (either in statute or the Constitution) to enhance the state's ability to do long-term and strategic planning and to make government programs and departments more accountable to the public.

VETOES

AB 1916 (Matthews). SALES AND USE TAXES: EXEMPTIONS: MEDICINES: LANCETS AND BLOOD GLUCOSE STRIPS USED IN THE TREATMENT OF DIABETES: Extends the current exemption for insulin and insulin syringes to lancets and blood glucose strips sold for the treatment of diabetes as directed by a physician. Extends the exemption to the sale of such items related to the treatment of diabetes regardless whether a registered pharmacist furnishes them.

SB 145 (Perata). SALES AND USE TAXES: EXEMPTIONS: BUNKER FUEL: Defers the repeal date of the existing bunker fuel sales tax exemption for 10 years, until January 1, 2013.

APPENDIX I

INDEX BY SUBJECT MATTER

		PAGE NO.
 FRANCHISE TAX BOARD TAX - ADMINISTRATION		
AB 1768 (Oropeza)	Interest on Corporate Tax Overpayments	9
AB 2388 (La Suer)	Extension of Debt Collection Program	3
AB 2791 (Migden)	Notice to Limited Liability Companies, Limited Liability Partnerships Regarding Cancellation	4
AB 2979 (Committee on Revenue & Taxation)	Technical Corrections	4
SB 1445 (Alpert)	Increase Settlement Authority Limit	6
SB 1660 (Scott)	Technical Corrections/Debt Collection	6
SB 2051 (Bowen)	Information Privacy	8
 PERSONAL INCOME AND CORPORATION TAX		
AB 1968 (Nation)	Income Exclusion: Energy Conservation Rebates	2
AB 2963 (Aroner)	Dependent Care Credit	4
SB 1977 (Johannessen)	Corporate Transfers to Community Services District	7
SJR 29 (Murray)	Taxation on Film and Television Productions	9
 <u>Federal Conformity</u>		
AB 131 (Corbett)	Pension Plans of Public Sector Employees	1
AB 1122 (Corbett)	Pension and Retirement Plan Changes of EGTRRA; Date Change; General Provisions	1
AB 2670 (Wyman)	Tax Relief for Victims of Terrorism	3
SB 219 (Scott)	Victims of Terrorism	5
SB 657 (Scott)	Pension and Retirement Plan Changes of EGTRRA; Date Change; General Provisions	6

Federal Conformity (Continued)**PAGE NO.**

SB 1724 (Speier)	Dependent Care Credit	7
------------------	-----------------------	---

Taxpayer Contributions

AB 957 (Papan)	Lupus Foundation of America, California Chapters Fund	1
AB 2036 (Liu)	State Children's Trust Fund	2
AB 2127 (Matthews)	Asthma and Lung Disease Research Fund	3
SB 1365 (Speier)	California Breast Cancer Research Fund	6

PROPERTY TAXATION

AB 81 (Migden)	State-Assessed Property	1
AB 2714 (Aanestad)	Valuation of Personal Property	4
SB 1494 (Ackerman)	Liens	6
SB 2085 (Committee on Revenue & Taxation)	Technical Corrections	8

SALES AND USE TAXES

AB 2701 (Wyman)	Exclusions: Indian Taxes	4
-----------------	--------------------------	---

SENIOR CITIZENS

SB 1875 (Karnette)	Property Tax Assistance	7
--------------------	-------------------------	---

STATE BOARD OF EQUALIZATION - ADMINISTRATION

AB 1458 (Kelley)	Business and Special Taxes Interest Abatement, Offers in Compromise	2
AB 1936 (Horton)	Filing Special Taxes Returns via Electronic Media	2
SB 1901 (Machado)	Resale Certificates for Diesel Fuel	7
SB 2086 (Committee on Revenue & Taxation)	Streamline Rules for Property Tax Administration	8

STATE BOARD OF EQUILIZATION (Continued)**PAGE NO.**

SB 2092 (Committee on Revenue & Taxation)	Streamline Collection of Sales and Use Tax and Property Tax	8
--	--	---

TOBACCO PRODUCTS

AB 2205 (Koretz)	Prevention of Sales of Untaxed Cigarettes: Multiagency Task Force	3
SB 1701	Tax Stamps and Meter Impressions	6

TRANSACTIONS AND USE TAXES

AB 7 (Thomson)	City of Davis	1
AB 902 (Strom-Martin)	Cities of Clearlake, Fort Bragg, Point Arena, Ukiah, and Willits	1
AB 2061 (Salinas)	City of Salinas	3
AB 2758 (Briggs)	City of Visalia	4
SB 1889 (Johannessen)	City of Redding	7

VEHICLE LICENSE FEE

AB 2461 (Keeley)	VLF exemption for Low-Emission Vehicles	3
------------------	--	---

BUDGET TRAILER BILLS

AB 2065 (Oropeza)	Personal Income and Corporation Tax Deduction Deferral, Tax Payment Acceleration	10
AB 3000 (Committee on Budget)	Interest on Corporate Tax Overpayments and Tax Stamp and Meter Impressions	10
AB 3009 (Committee on Budget)	Energy Surcharge Rate Determined Annually by State Board of Equalization	11

SPEAKER'S COMMISSION

HR 96 (Wesson)	Structural Challenges to	11
----------------	--------------------------	----

SPEAKER'S COMMISSION (Continued)**PAGE NO.****Budgeting in California****VETOES**

AB 1916 (Matthews)	Sales Tax Exemption for Lancets, Blood Glucose Strips	11
SB 145 (Perata)	Sales Tax Exemption for Bunker Fuel	11

APPENDIX II

INDEX BY AUTHOR

AUTHOR	BILL NO.	CHAPTER NO.	PAGE NO.
Aanestad	AB 2714	Chapter 299	4
Aroner	AB 2963	Chapter 757	4
Briggs	AB 2758	Chapter 346	4
Committee on Revenue and Taxation	AB 2979	Chapter 374	4
Corbett	AB 131	Chapter 30	1
	AB 1122	Chapter 35	1
Horton	AB 1936	Chapter 459	2
Keeley	AB 2461	Chapter 566	3
Kelley	AB 1458	Chapter 152	2
Koretz	AB 2205	Chapter 687	3
La Suer	AB 2388	Chapter 776	3
Liu	AB 2036	Chapter 647	2
Matthews	AB 2127	Chapter 620	3
Migden	AB 81	Chapter 57	1
	AB 2791	Chapter 169	4
Nation	AB 1968	Chapter 843	2
Papan	AB 957	Chapter 135	1
Salinas	AB 2061	Chapter 338	3

AUTHOR	BILL NO.	CHAPTER NO.	PAGE NO.
--------	----------	-------------	----------

Strom-Martin	AB 902	Chapter 331	1
--------------	--------	-------------	---

Thomson	AB 7	Chapter 330	1
---------	------	-------------	---

Wyman	AB 2670	Chapter 690	3
	AB 2701	Chapter 593	4

* * * * *

Ackerman	SB 1494	Chapter 206	6
----------	---------	-------------	---

Alpert	SB 1445	Chapter 258	6
--------	---------	-------------	---

Bowen	SB 2051	Chapter 694	8
-------	---------	-------------	---

Committee on	SB 2085	Chapter 269	8
Revenue and	SB 2086	Chapter 214	8
Taxation	SB 2092	Chapter 775	8

Johannessen	SB 1889	Chapter 119	7
	SB 1977	Chapter 1108	7

Karnette	SB 1875	Chapter 399	7
----------	---------	-------------	---

Machado	SB 1901	Chapter 446	7
---------	---------	-------------	---

Murray	SJR 29	Chapter 80	9
--------	--------	------------	---

Peace	SB 1701	Chapter 881	6
-------	---------	-------------	---

Scott	SB 219	Chapter 807	5
	SB 657	Chapter 34	6
	SB 1660	Chapter 487	6

Speier	SB 1365	Chapter 484	6
	SB 1724	Chapter 824	7

AUTHOR	BILL NO.	CHAPTER NO.	PAGE NO.
--------	----------	-------------	----------

BUDGET BILLS SIGNED BY THE GOVERNOR

Committee on Budget	AB 3000	Chapter 1124	10
	AB 3009	Chapter 1033	11
Oropeza	AB 1768	Chapter 1127	9
	AB 2065	Chapter 488	10
Wesson	HR 96	Adopted	11

VETOES

Matthews	AB 1916	11
Perata	SB 145	11